
OLR Bill Analysis

sSB 820 (File 813, as amended by Senate “A” and “B”)*

AN ACT CONCERNING THE INTEREST RATE ON DELINQUENT PROPERTY TAXES.

SUMMARY:

This bill gives towns the option of reducing the annual interest rate they charge on delinquent property taxes from 18% per year to between 15% and 18%. It requires local tax collectors to include the interest rate in the notice they publish concerning property tax deadlines.

By giving towns this option, the bill also potentially reduces the interest charged on other delinquent taxes and assessments, which, by law, are linked to this statutory rate.

The bill also requires motor vehicle lessors that pay property taxes on leased motor vehicles on behalf of lessees to provide lessees with a receipt for the amount of taxes paid within 30 days after making the payment.

*Senate Amendment “A” adds the provision concerning motor vehicle lessors.

*Senate Amendment “B” changes the optional lower interest rate municipalities may set from up to 18% per year to between 15% and 18% per year.

EFFECTIVE DATE: October 1, 2013, and applicable to assessment years starting on or after that date, except that the motor vehicle lessor provision is effective July 1, 2013, and applicable to assessment years starting on or after October 1, 2012.

INTEREST ON DELINQUENT PROPERTY TAXES

Under current law, property taxes accrue interest at a rate of 1.5% per month (18% per year) for each month or part of a month that elapses between the due date and the payment date. The bill allows a municipality, by vote of its legislative body (or if the legislative body is a town meeting, by vote of the board of selectmen or town council) to establish an interest rate for delinquent property taxes of between 15% and 18% per year. The rate remains 18% for towns that do not adopt the optional lower rate.

The bill makes conforming changes to the interest rate for delinquent property taxes on (1) personal property used in rendering certain telecommunications services and (2) property sold for tax purposes. (The bill's conforming change to the tax sale statutes provides that the lower interest rate may be up to 18%, rather than the 15% to 18% range specified in the bill.)

As under current law, the minimum interest charge is \$2, which a municipality may, by vote of its legislative body, choose not to impose.

INTEREST ON OTHER DELINQUENT TAXES AND ASSESSMENTS

By law, the interest rate on other delinquent taxes and assessments is linked to the interest rate towns charge on delinquent property taxes. Thus, under the bill, the interest rate on these other delinquent taxes and assessments would be reduced for any town that adopts a lower rate.

They include:

1. sewer system installation and connection assessments (CGS §§ 7-254, 7-258, and 22a-506);
2. the special assessment municipalities can impose on blighted housing (CGS § 12-169b);
3. taxes, fees, rents, or benefit assessments set by the Great Pond and Millbrook Greens Improvement Districts in Windsor (SA 11-8, §§ 1 (f)(3) and 2 (f)(3));

4. taxes, fees, rents, or benefit assessments set by the River Falls Improvement District in Seymour (SA 10-4, § 1(e)(3));
5. tax assessments for members of the Cornfield Point Association in Old Saybrook (§§ 13 and 14 of No. 467 of the 1943 Special Acts, as amended by SA 09-13);
6. tax assessments for members of the Shaker Pines Lake Association, Inc. in Enfield (§ 21 of No. 375 of 1935 Special Acts, as amended by § 16 of SA 89-37);
7. the annual assessment imposed by the Lake Garda Improvement Association in Farmington and Burlington (§ 9 of No. 255 of 1943 Special Acts, as amended by SA 03-16);
8. taxes, fees, rents, or benefit assessments set by the Harbor Point Infrastructure Improvement District in Stamford (SA 07-6, § 1(f)(3)); and
9. taxes, fees, rents, benefit assessments, and other charges set by the Greenway Commons Improvement District in Southington (SA 09-11, § 1(f)(3)).

BACKGROUND

Legislative History

The Senate referred the bill (File 257) to the Finance, Revenue and Bonding Committee, which favorably reported a substitute that allows municipalities to establish an interest rate for delinquent property taxes of up to 18% per year, rather than an optional 12% rate.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 18 Nay 0 (03/13/2013)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 46 Nay 4 (05/06/2013)